



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 7/2/2004

GAIN Report Number: CA4048

Canada

Agricultural Situation

This Week In Canadian Agriculture, Issue 22 2004

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Report Highlights:

* Minister Speller Defeated in Election * Canadian Wheat Board Blocks Prairie Pasta Producers * Canadian Feedlot Operators Consider NAFTA Trade Challenge * Manitoba Crop Update * Saskatchewan Crop Update * Ontario Corn Crop Not A Disaster * Stats Canada's Seeded Acreage Report

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

MINISTER SPELLER DEFEATED IN ELECTION: On June 28th, Canadians went to the polls to elect a new federal government. The Liberal Party won a minority government by winning 135 seats in the House of Commons. The Conservative Party won 99 seats, the New Democrat Party won 19 seats, the Bloc Quebecois won 54 seats and there was one independent seat won. Several of Prime Minister Martin's cabinet colleagues went down to defeat in their ridings and this included the former Minister of Agriculture, Bob Speller. He was defeated in his riding of Haldimand-Norfolk in Ontario by the Conservative Party candidate Diane Finley. Ms. Finley received 20,938 votes (42.17%) and Mr. Speller received 19,277 votes (38.82%). Mr. Speller had been a Member of Parliament since 1988. He had served as the chair to the Standing Committee on Agriculture and Agri-Food, the Parliamentary Secretary to the Minister of Trade and International Affairs (1998-2000) and the Minister of Agriculture and Agri-Food from December 2003–June 2004. Prime Minister Martin will announce his new cabinet within a couple of weeks.

CANADIAN WHEAT BOARD BLOCKS PRAIRIE PASTA PRODUCERS: Late last week, the Canadian Wheat Board (CWB) blocked the attempts of the Prairie Pasta Producers (PPP) to establish a successful value-added venture for their durum wheat. PPP had been in discussions with Dakota Growers Pasta Company (DGPC) over the last several years to work together to add value to Canadian durum by processing it into pasta for Canadian and American consumers. By acquiring shares into DGPC, this would give the PPP member the right to deliver one bushel of durum per year to DGPC. Earlier this month, after PPP concluded a share offering with DGPC, the CWB informed PPP that they do not qualify as a new-generation co-op under the CWB's New Generation Co-op (NGC) policy rules because the processing would take place outside of Canada. This effectively killed the share offering. The transaction had been conducted with full knowledge of the CWB and was done according to the CWB's NGC policy, but this was the first time that PPP had been informed by the CWB that they were breaching the CWB's NGC policy. This is not the first time the CWB has hampered the PPP goals of creating a valued-added industry for durum wheat. PPP is a new-generation co-op of Saskatchewan farmers that who originally got together to build a pasta plant in Saskatchewan. The CWB's buy-back policy made the original venture too costly and cumbersome.

CANADIAN FEEDLOT OPERATORS CONSIDER NAFTA TRADE CHALLENGE: According to the *Western Producer*, some of the major feedlot operators in Alberta are considering a trade challenge against the United States as a result of damage caused to the Canadian beef industry by the closure of the U.S. border. The feedlot operators are considering a Chapter 11 challenger under NAFTA. They would have to prove that the border closure changed from a health issue to a political issue, causing financial harm to Canadian cattle producers and that the U.S. action is harming their investments in the U.S. The Canadian cattle industry has lost roughly \$2.1 billion in exports as a result of the border closures and frustration is mounting at the continued closure of the U.S. border. The Canadian feedlot industry believes it has a case based on the fact that they feel the U.S. is violating NAFTA's phytosanitary rules by not basing border decisions on international animal health guidelines. The operators also claim they have substantial investment in the U.S. cattle market and their access to the U.S. market is what has helped in the development of the Canadian cattle industry. Many in the feedlot industry feel this the only option left to them in helping to reopen the U.S. border.

MANITOBA CROP UPDATE: The provincial department of Agriculture reports as of June 28, the weather remained cool in all regions of the province, continuing to hamper crop development. Some areas of the province reported frost, but the damage was minimal. Overall crop conditions cover a wide variety of stages as a result of seeding delays. In the **Southwest** region, leaf diseases are prevalent in almost all cereal crops. Winter wheat crops look very good, but leaf disease levels have been higher than normal. In the **Central** region, stress has resulted in abnormal heading in some winter wheat fields. Canola and corn fields are also stressed, with canola bolting prematurely and

corn exhibiting poor color and growth. Roughly 5% of the acres were not seeded before the June 20th deadline as a result of the wet weather. In the **Eastern** region only 50% of the intended silage corn acres got seeded. Corn, soybeans and field beans are suffering and are behind their normal growth schedule. Tan spot and septoria leaf diseases are showing up in cereals.

SASKATCHEWAN CROP UPDATE: According to the provincial department of Agriculture, crop conditions vary across the province, with the cool, wet weather continuing to impede crop development. Roughly 70% of the fall cereal crops were reported to be in good to excellent condition, but more than half are behind normal development. About 78% of the spring cereal crops are in good to excellent conditions, but over 80% are behind normal development. Flax and canola are reported to be 66% and 64% in good to excellent conditions, but 85% behind normal development. Pulse crops are over 70% good to excellent, with 75% behind normal development. Frost and insects were the main cause of damage to crops over the past week.

ONTARIO CORN CROP NOT A DISASTER: According to the provincial department of Agriculture, Ontario's corn crop will not be a disaster, but the forecast seeded area and production is expected to dropped. The forecast seeded area is roughly 1.6 million acres (647,497 hectares), an 11% decline from 2003/2004. Production is also forecast to decline to 115 bu/acre (7.22 tonnes/hectare), a 10% decline from the previous year. The drop in production and seeded area is as a result of the cool, wet weather, which forced some producers to change their seeding from corn to other crops. As well, the weather has slowed development and is stressing some of the corn fields, impacting production. The forecast production level is in line with the five-year average. Quebec's corn production is forecast to increase slightly this year, which will help offset some of the decline in Ontario's corn production.

STATS CANADA'S SEEDED ACREAGE REPORT: According to Stats Canada, the overall wheat area was down 3% nationally, with Western Canada showing a decrease of 2%. Despite the decline in seeded area, production levels for wheat are expected to increase, mostly as a result of the increased moisture levels in Western Canada. Barley and oat areas were also down 5% and 11% respectively. The oat seeded areas may increase throughout the summer, as oats may be seeded for green feed in areas that were too wet to seed the original planned crop. Canola area increased 9% to 12.7 million acres (5.1 million hectares). This is above both the five- and ten-year average of 11.2 million acres (4.5 hectares) and 11.7 million acres (4.7 million hectares) respectively. Last year's strong canola prices may have influenced the move to larger seeding areas. The soybean area is expected to increase by 19% over 2003, with Ontario increasing its seeded area 16%. The largest increase in soybean planting was reported to be in Manitoba at an increase of 36% to 300,000 acres (121,406 hectares). This figure does not account for the poor seeding conditions experienced in Manitoba through the month of June.

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